

Message Text

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ACTION EA-10

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R 120116Z MAR 75
FM AMEMBASSY SEOUL
TO USDOC WASHDC
INFO SECSTATE WASHDC 8790
AMCONSUL HONG KONG

UNCLAS SEOUL 1611

HONG KONG PASS EXIMBANK JOE RAND

E.O. 11652: N/A

TAGS: BEXP, KS

SUBJECT: MAJOR PROJECT: UNION STEEL TUBE AND PIPE MILL

1. PROJECT DESCRIPTION: UNION STEEL MANUFACTURING COMPANY IS PLANNING TO EXPAND ITS EXISTING PLANT IN PUSAN, AN ELECTRIC FURNACE-BASED STEEL CONVERTING OPERATION, TO INCLUDE A PIPE MILL AND ADDITIONAL WIRE ROD DRAWING AND BAR ROLLING CAPACITY. ONE ELECTRIC FURNACE, CASTING FACILITIES, AND ASSOCIATED BACKUP UTILITIES AND MATERIAL HANDLING EQUIPMENT WILL BE REQUIRED.

2. IMPLEMENTING OFFICE: MR. KWON CHUL HYUN, PRESIDENT, UNION STEEL MANUFACTURING COMPANY, 118, 2-KA, NAMDAEMOON-RO, CHUNG-KU, SEOUL, KOREA.

3. COST AND FINANCING: TOTAL PROJECT COSTS ARE PRESENTLY ESTIMATED AT JUST OVER DOLS ONE HUNDRED MILLION. UNCLEAR FROM PROJECT DESCRIPTION SUPPLIED BY COMPANY WHETHER THIS FIGURE AINCLUDES ANY LOCAL CONSTRUCTION COSTS, BUT APPEARS THAT THIS FIGURE IS CLOSE TO TOTAL FOREIGN PROCUREMENT INASMUCH AS ECONOMIC PLANNING BOARD PRIORITY LISTING OF PROJECTS PROPOSED FOR EXIM FINANCING LISTS THIS PROJECT AT DOLS NINETY MILLION OF EXIM FINANCING. THIS PROJECT IS RANKED SIXTH OF ELEVEN PROJECTS PROPOSED FOR PRIORITY EXIMBANK CONSIDERATION IN CALENDAR 1975.

4. EXPECTED BID DATES: UNKNOWN. UNION STEEL HAS NOT INITIATED
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EXTENSIVE NEW CONTACTS WITH U.S. SUPPLIERS.

5. POTENTIAL U.S. SALES: THE COMPANY LISTS THE FOLLOWING
FACILITY ITEMS AND ESTIMATED CAPITAL COSTS:

1. PIPE MILL PLANT	US \$7,500,000
2. SLITTER LINE	\$1,200,000
3. WIRE ROD MILL	\$38,551,000
4. STEEL BAR ROLLING MILL	\$18,041,799
5. CASTING IRON PLANT	\$12,030,000
6. ELECTRIC FURNACE	\$13,609,640
7. OXYGEN GENERATOR	\$2,595,540
8. SUB-STATION	\$1,354,880
9. COMPRESSOR	\$230,040
10. BOILER	\$288,000
11. DIESEL GENERATOR	\$478,680
12. CRAWLER CRANE	\$623,710
13. OVER-HEAD CRANE	\$4,080,000
TOTAL	\$100,583,289

6. POST COMMENTS: CLEARLY IF EXIMBANK FINANCING FOR THIS PROJECT IS FORTHCOMING THERE IS NO PARTICULAR NEED FOR INTERVENTION BY EMBASSY OR USDOC. HOWEVER, COMPANY OFFICIALS HAVE ASKED EMBASSY TO GIVE THIS PROJECT OPPORTUNITY FAIRLY BROAD DISSEMINATION IN THE U.S. THROUGH THE GOOD OFFICES OF THE MAJOR PROJECTS DIVISION. EMBASSY WOULD ADD THAT IT IS QUITE CLEAR THAT EXIMBANK WILL NOT BE APPROVING ALL THE LOAN PROJECTS ON THE ECONOMIC PLANNING BOARD SHOPPING LIST WHICH TOTALS DOLS UNCLASSIFIED

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THREE-QUARTER BILLION OVER CALENDAR YEARS 1975-76. THUS, EMBASSY RECOMMENDS AGGRESSIVE PURSUIT OF THIS BUSINESS AT THIS TIME AGAINST THE POSSIBILITY THAT EXIM FINANCING MIGHT NOT BE AVAILABLE. FOR THIS PURPOSE IT IS SUGGESTED THAT U.S. CONSULTING ENGINEERING FIRMS SUCH AS KOPPERS, ETC. SHOULD BE ALERTED TO THIS EXPANSION PROJECT IF NOT ALREADY AWARE OF IT.
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Margaret P. Grafeld
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